

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION
Illinois.

ORIGINAL

Aqua Illinois, Inc.
1000 South Schuyler Avenue
Kankakee, IL 60901

T: 815.935.6535
F: 815.935.8809
www.aquailinois.com

Date: February 20, 2007

Elizabeth A. Rolando, Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Re: Order 04-0442

Report

Dear Ms. Rolando:

Please find the attached journal entry for the Vermillion Division, Docket 04-0442, for the ordered adjustment to accumulated depreciation for the Indianola Acquisition. The order required that accumulated depreciation be recorded for the intervening time period between the original cost study valuation date and the acquisition closing date. If you have any further questions, I can be reached at (815) 935-6535 extension #533.

Sincerely,



Paul Hanley
Assistant Controller
Aqua Illinois, Inc.

Cc: Mary Selvaggio, Manager of Accounting

Enclosures:

mk
ILLINOIS
COMMERCE COMMISSION
2007 FEB 22 A 10:01
CHIEF CLERK'S OFFICE

Aqua Illinois, Inc.
Standard Journal Entry Form

Approved By:

Accounting Period: 2/28/2007

Date: 2/19/2007

JE Purpose: To record adjustment to Indianola Accumulated Depreciation per ICC

Accounting Unit	Account	Activity	Debit \$	Credit \$
400	403000	Adjust Accum Depr	4,211.00	
400	108000	Adjust Accum Depr		4,211.00
		Totals	4,211.00	4,211.00

5m
4/19/87

GL240 Date 02/20/07
Time 17:59

Company 24 - AQUA ILLINOIS INC.
Journal Edit Listing
For Fiscal Year 2007 - Periods 02 - 02

USD

Page 1

Journal GL N 2-00 Record adj to Indianola A/D Fiscal Year 2007 Period 2
Status Released Hold Code Operator bmbaker
Posting Date 02/28/07 Transaction Date 02/20/07 Reverse No Reverse Pd
Reference Document Journal Book

Line	Account	Activity	Reference	SC Rvs	Debit	Credit
1	400 403000-0000	Deprec Exp-Utility Plant	Desc Record adj to Indianola A/D	JE	4,211.00	
2	400 108000-0000	AD-General	Desc Record adj to Indianola A/D	JE		4,211.00

*** Totals For Journal entry N-	2-00 , Source Code JE	Debits	Credits	Difference
	Base	4,211.00	4,211.00	0.00
	Reverse	0.00	0.00	0.00
	Entered	4,211.00	4,211.00	0.00
	Unit	0.00	0.00	0.00

*** Totals For Journal entry N-	2-00	Debits	Credits	Difference
	Base	4,211.00	4,211.00	0.00
	Reverse	0.00	0.00	0.00
	Entered	4,211.00	4,211.00	0.00
	Unit	0.00	0.00	0.00

BAB 2/20/07

PA 2/21/07

104 Adjustment to Accumulated Depreciation

105 Q. Please describe Schedule 1.8, Adjustment to Accumulated Depreciation.

106 A. Schedule 1.8 reflects my adjustment to increase the amount of accumulated
107 depreciation related to the Indianola water system acquisition. The Commission
108 order, dated October 22 2003, granted approval in Docket No. 03-0069 of the
109 acquisition of the Indianola water system and the original cost of that system.
110 The Company was required by the Order in Docket No. 03-0069 to file its final
111 journal entries within six months of the closing of the transaction. The original
112 cost study for the Indianola water system was dated October 1, 2002. Aqua filed
113 its final journal entries with the Commission on April 2, 2004. These entries are
114 presented on Attachment 1 to my testimony. As shown on Attachment 1, the final
115 journal entries were posted on December 31 2003. The journal entries filed by
116 Aqua were not updated for Accumulated Depreciation and that has caused the
117 Company's amount for Accumulated Depreciation in this proceeding to be
118 understated.

119 Q. Please explain.

120 A. The Company recorded the final journal entries for the Indianola acquisition in
121 December of 2003. This is 15 months after the date of the original cost study.
122 The original cost study states: "A summary of our findings is set forth on the next
123 page, which shows the total estimated original cost less depreciation in the
124 amount of \$218,000 *as of October 1, 2002.*" (Emphasis added) In the Direct
125 Testimony of John Gustella in Docket No. 03-0069, he states: "I estimated that

126 the depreciated original cost *as of October 1, 2002* is \$218,000.” (Emphasis
127 added) The Company’s journal entries posted on December 31, 2003 reflect the
128 same amount of accumulated depreciation for the Indianola water system assets
129 as the original cost study, which estimated the original cost as of October 1,
130 2002. This caused an understatement of accumulated depreciation. The
131 Company should have updated accumulated depreciation to reflect the fact that
132 the assets continued to depreciate between October 1, 2002 and December 31,
133 2003. The assets continued to depreciate because of the passage of time
134 regardless of whether they were recorded on Aqua’s books. In its final journal
135 entries to record the acquisition of the Indianola system, the Company failed to
136 update the accumulated depreciation amounts for the time period between the
137 original cost study of October 1, 2002 and the actual date the acquisition was
138 recorded on the books, December 31, 2003.

139 Q. Does this error carry through to the amounts for the December 31, 2005 future
140 test year?

141 A. Yes. The Company’s starting point for the amounts in this filing was the actual
142 amounts on the books at December 31, 2003. The amount of Accumulated
143 Depreciation at December 31, 2003 was understated due to the failure to
144 properly update for the intervening time period between the original cost study
145 and the recording of the final journal entries. My adjustment recognizes the fact
146 that for 15 months the water system was serving the community; therefore, it is
147 appropriate to continue to accumulate depreciation on the plant assets.

148 Accordingly, I am adjusting the Accumulated Depreciation related to the
149 acquisition of the Indianola water system.

150 Q. Has the Commission accepted a similar adjustment in a prior proceeding?

151 A. Yes. In Aqua Docket No. 03-0403 the Commission accepted a similar adjustment
152 related to Aqua's acquisition of the Grant Park water system. In that Order the
153 Commission stated:

154 The Commission concludes that, until the transaction actually closed, the
155 acquired system was operated by its former owner, and it continued to
156 depreciate due to its operation. (Docket No. 03-0403, dated April 13,
157 2004 at 6)

158 Q. Do you have a related recommendation?

159 A. Yes. Proper journal entries related to the acquisition of the Indianola water
160 system were to have been recorded after the Order in Docket No. 03-0069 and
161 reported to the Commission within six months of the date of acquisition or
162 transfer. The journal entries that were filed were incorrect and should be
163 corrected.

164 ~~✱~~ Therefore, I am recommending that the Commission order Aqua to update its
165 accounting records to reflect the additional Accumulated Depreciation related to
166 the 15 months for which Aqua failed to recognize the accumulating depreciation
167 on the Indianola assets and submit a report with journal entries showing the
168 update to the accounting records. This report should be filed with the Chief Clerk
169 of the Commission with a copy provided to the Manager of the Accounting
170 Department within a month of the Order in this proceeding.

**Aqua Illinois Water Company-Vermilion Division
 Adjustment to Indianola Accumulated Depreciation
 For the test year ended December 31, 2005**

Line No.	Description (a)	Amount		Source (c)
		(b)		
1	Accumulated Depreciation-Indianola Acquisition Per Company	\$ 124,545		ICC Staff Ex. 1.0, Schedule 1.8, page 2 of 2, line 13
2	Accumulated Depreciation-Indianola Acquisition Per Staff	128,756		ICC Staff Ex. 1.0, Schedule 1.8, page 2 of 2, line 26
3	Difference-Staff Adjustment-Increase to Accumulated Depreciation	\$ (4,211)		

1240 Date 12/29/03

Time 16:47

Company 400 - Illinois

Journal Edit Listing

For Fiscal Year 2003 - Periods 12 - 12

USD

Docket No. 04-0442

ICC Staff Ex. 1.0

Attachment 1

Page 2 of 3

Journal	GL N	9-00 Record Indianola Acq Per 21A	Fiscal Year	2003	Period	12
Status	Released	Hold Code	Operator	bmbaker		
Posting Date	12/31/03	Transaction Date	Reverse	No		
Reference		Document	Journal Book			

Line	Account	Activity	Reference	SC Rvs	Debit	Credit
1	409	3040-0200		JE	2,054.00	
	POWER & PUMPING STRUCTURES	Desc Record Indianola Acq Per 21A		1.000000	2,054.00 USD	
2	409	3070-0000		JE	7,172.00	
	WELLS & SPRINGS	Desc Record Indianola Acq Per 21A		1.000000	7,172.00 USD	
3	409	3110-0000		JE	3,036.00	
	SOS-PUMPING EQUIPMENT	Desc Record Indianola Acq Per 21A		1.000000	3,036.00 USD	
4	409	3200-0000		JE	2,187.00	
	WATER TREATMENT EQUIP	Desc Record Indianola Acq Per 21A		1.000000	2,187.00 USD	
5	409	3300-0000		JE	69,298.00	
	DISTRIBUTION RESRVS & STANDPP	Desc Record Indianola Acq Per 21A		1.000000	69,298.00 USD	
6	409	3310-0000		JE	224,733.00	
	TRANSMISSION & DISTR	Desc Record Indianola Acq Per 21A		1.000000	224,733.00 USD	
7	409	3330-0000		JE	22,958.00	
	SERVICES	Desc Record Indianola Acq Per 21A		1.000000	22,958.00 USD	
8	409	3400-0000		JE	4,792.00	
	OFFICE FURN & EQUIP	Desc Record Indianola Acq Per 21A		1.000000	4,792.00 USD	
9	409	1081-0000		JE		980.00
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		980.00 USD
10	409	1081-0000		JE		3,138.00
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		3,138.00 USD
11	409	1081-0000		JE		645.00
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		645.00 USD
12	409	1081-0000		JE		1,640.00
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		1,640.00 USD
13	409	1081-0000		JE		24,254.00
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		24,254.00 USD
14	409	1081-0000		JE		72,476.00
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		72,476.00 USD

1240 Date 12/29/03
Time 16:47

Company 400 - Illinois
Journal Edit Listing
For Fiscal Year 2003 - Periods 12 - 12

USD

Docket No. 04-0442
ICC Staff Ex. 1.0
Attachment 1
Page 3 of 3

Journal	GL N	9-00 Record Indianola Acq Per 21A	Fiscal Year	2003	Period	12	(Continued)
Line	Account	Activity	Reference	SC Rvs	Debit	Credit	
15	409	1081-0000		JE		12,340.00	
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		12,340.00 USD	
16	409	1081-0000		JE		2,335.00	
	ACCUM DEPR-UPIS	Desc Record Indianola Acq Per 21A		1.000000		2,335.00 USD	
17	409	1040-0000		JE		218,422.00	
	UTIL PLANT PURCHASED/SOLD	Desc Record Indianola Acq Per 21A		1.000000		218,422.00 USD	
18	409	1040-0000		JE	79,390.11		
	UTIL PLANT PURCHASED/SOLD	Desc Record Incidental cost to 1040		1.000000	79,390.11 USD		
19	409	1059-0000 400401600002001 900		JE		79,390.11	
	CWIP-CLOSING	Desc Record Incidental cost to 1040		1.000000		79,390.11 USD	
20	409	1040-0000		JE	139,031.89		
	UTIL PLANT PURCHASED/SOLD	Desc Rec Indianola Acq Adj per 21B		1.000000	139,031.89 USD		
21	409	1140-0000		JE		139,031.89	
	U PLANT ACQ ADJ	Desc Rec Indianola Acq Adj per 21B		1.000000		139,031.89 USD	

** Totals For Journal entry N-	9-00 , Source Code JE	Debits	Credits	Difference
	Base	554,652.00	554,652.00	0.00
	Reverse	0.00	0.00	0.00
	Entered	554,652.00	554,652.00	0.00
	Unit	0.00	0.00	0.00

** Totals For Journal entry N-	9-00	Debits	Credits	Difference
	Base	554,652.00	554,652.00	0.00
	Reverse	0.00	0.00	0.00
	Entered	554,652.00	554,652.00	0.00
	Unit	0.00	0.00	0.00

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION
Illinois.

Docket No. 04-0442
ICC Staff Ex. 1.0
Attachment 1
Page 1 of 3

Date: March 30, 2004

Aqua Illinois, Inc.
P.O. Box 152
1000 South Schuyler Avenue
Kankakee, IL 60901

~~815.935.8535~~
F: 815.935.8809
www.aquaillinois.com

Elizabeth A. Rolando, Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62701

Re: Order 03-0069

Dear Ms. Rolando:

Please find the attached actual journal entries for the Village of Indianola Acquisition per Order 03-0069. The order requires that one copy of the actual journal entries recording the acquisition be filed with the Chief Clerk's office and a second copy with the Manager of the Commission's Accounting Department. If you have any further questions, I can be reached at (815) 935-6535 extension #521.

Sincerely,



Michael Bratetic
Vice President - Finance
Aqua Illinois, Inc. (formerly Consumers Illinois Water Company)

CC: Mary Selvaggio, Manager of Accounting

Enclosures: